

Message Text

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64

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 IO-14 EB-11 INT-08 SCEM-02 COME-00

OMB-01 TRSE-00 SCI-06 NEA-10 SIL-01 LAB-06 DRC-01

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R 301826Z NOV 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 9008

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY LUXEMBOURG

AMEMBASSY DUBLIN

AMEMBASSY COPENHAGEN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L BONN 17307

E.O. 11652: GDS

TAGS: ENGR, GW

SUBJECT: OIL AND POLITICS: THE CHANCELLOR TAKES OVER

REF: BONN 17232, BONN 17038

1. WITH A FLURRY OF ACTIVITY AND STATEMENTS, THE
CHANCELLOR HAS THIS PAST WEEK TAKEN CHARGE OF HIS
GOVERNMENT'S MANAGEMENT OF ITS NUMBER ONE DOMESTIC
PROBLEM -- THE ENERGY CRISIS. THIS MOVE DERIVES IN
PART FROM NEW AND GLOOMY ASSESSMENTS BY ADVISORS
IN THE CHANCELLORY OF THE ECONOMIC IMPACT OF OIL
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SHORTAGES NEXT YEAR. MORE SIGNIFICANTLY, IT REFLECTS

A POLITICAL JUDGMENT THAT THE COOL AND LIGHT-HANDED APPROACH ECONOMICS MINISTER FRIDERICH HAS FOLLOWED -- REGARDLESS OF ITS ECONOMIC MERITS -- COULD LEAVE THE GOVERNMENT IN A POOR POSITION TO PROVE NEXT YEAR THAT ITS OWN FAILURE TO ACT PROMPTLY AND DECISIVELY WAS NOT AMONG THE MAIN CAUSES OF AN INCREASED NUMBER OF JOBLESS GERMANS IN 1974. WITH THIS POLITICAL TASK IN MIND, THE CHANCELLOR HAS QUITE BLUNTLY REPUDIATED THE REASSURING LINE OF HIS FDP ECONOMICS MINISTER, WHICH FOCUSED ALMOST EXCLUSIVELY ON THE ECONOMIC TASKS OF HELPING THE OIL COMPANIES MAINTAIN AN ORDERLY PETROLEUM PRODUCTS MARKET AND BOLSTERING CONSUMER AND INVESTOR CONFIDENCE.

2. THE CHANCELLOR'S NEW POLITICAL COURSE ON THE OIL CRISIS HAS STRESSED THE FOLLOWING

A. THE CAUSES OF THE CRISIS ARE EXTERNAL -- THE MIDEAST CONFLICT, THE ARAB PRODUCTION CUTBACKS AND A WORLDWIDE ENERGY CRISIS, WITH ULTIMATE SOLUTIONS TO BE FOUND ONLY IN THE INTERNATIONAL AND, WITHIN EUROPE, THE EC CONTEXT. (FINANCE MINISTER SCHMIDT, WHO HAS SOME PRIOR EXPERIENCE IN DEVELOPING THIS LINE, HAS HELPED OUT THE CHANCELLOR ON THIS POINT).

B. THE PROSPECTS FOR THE DOMESTIC ECONOMY IN 1974 ARE NOW TO BE PAINTED BLACK, -- ZERO OR NEGATIVE GROWTH, MORE INFLATION AND SECTORAL UNEMPLOYMENT, ALL BECAUSE OF OIL SHORTAGES; THIS IS THE NEW BENCHMARK FOR MEASURING THE EFFECTIVENESS OF GOVERNMENT COUNTER-MEASURES

C. THE GOVERNMENT AND THE CHANCELLOR ARE TO BE SEEN AS MOVING QUICKLY AND DECISIVELY TO ENFORCE ENERGY SAVING AND TO TAKE EVERY REASONABLE ACTION TO PROTECT JOBS. (THROUGH AN APPARENTLY COORDINATED MEDIA EFFORT, THE GOVERNMENT HAS MANAGED TO DOMINATE THE HEADLINES FOR 10 DAYS WITH REPORTS OF NEW ENERGY ACTIONS, EACH OF WHICH IS FIRST LEAKED, THEN FUZZED UP, ANTICIPATED, ANNOUNCED IN PRINCIPLE, AND FINALLY PROMULGATED.)

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3. IN TONE, THE CHANCELLOR'S COMMENTS ON THE FOREIGN POLICY ASPECTS OF THE ENERGY PROBLEM SEEM TO DIVERGE FROM THOSE OF HIS FOREIGN MINISTER AS WELL. HE HAS ON SEVERAL OCCASIONS REFERRED TO THE EXTERNAL PRESSURE, EVEN EXTORTION, REPRESENTED BY OIL CUTBACKS, ADDING THAT THE EC MUST NOT NOW BE SEEN AS PASSIVE AND UNABLE TO ACT. HIS ADMONITION, TO BOTH THE FEDERAL REPUBLIC AND THE EC, IS TO

FACE THE CRISIS AND ITS ECONOMIC IMPLICATIONS
SQUARELY AND TO DO WHAT CAN BE DONE DOMESTICALLY
TO MASTER IT.

4. THE CHANCELLOR'S ASSERTION OF LEADERSHIP ON THIS
ISSUE, AGAINST THE GRAIN OF TWO FDP MINISTERS, MAY
NOT HAVE COME WITHOUT SOME STRAIN BETWEEN THE
COALITION PARTNERS.
HILLENBRAND

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